

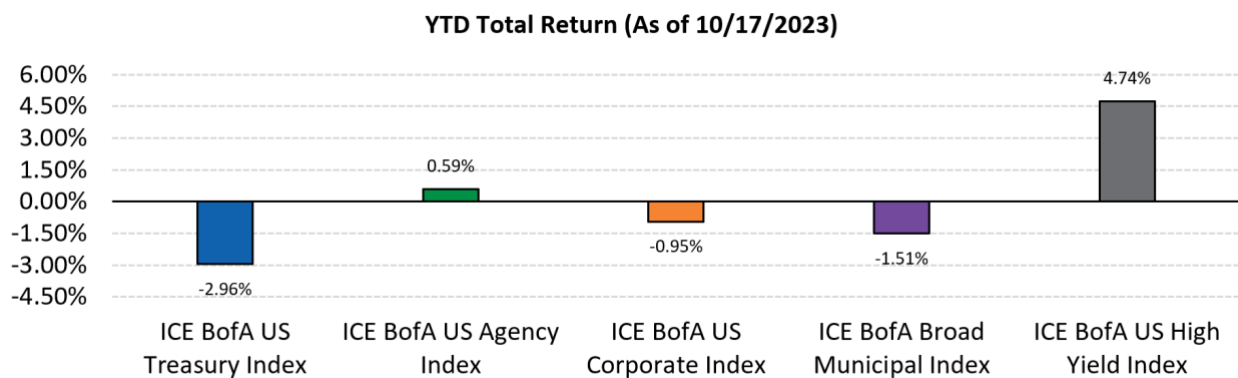
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## Bond Market Update: Conjuring October Opportunities – Fixed Income Yields Rise Amidst Volatility Spell

By Bill Smith, Fixed Income Trader and Portfolio Manager

### Bond Market Update: Fixed Income Volatility Remains High

Yields continue to rise in October as a strong labor market, inflation above the Fed’s 2% target and increased Treasury supply reinforce the “higher for longer” rate narrative. High yield continues its outperformance, while most Treasury, investment grade corporate and municipal indexes are negative on the year. The “YTD Total Return” chart below provides a year to date (YTD) return summary for select ICE BofA bond indexes.



*Source: ICE BofA Indexes, Bloomberg. Past performance is no guarantee of future results.*

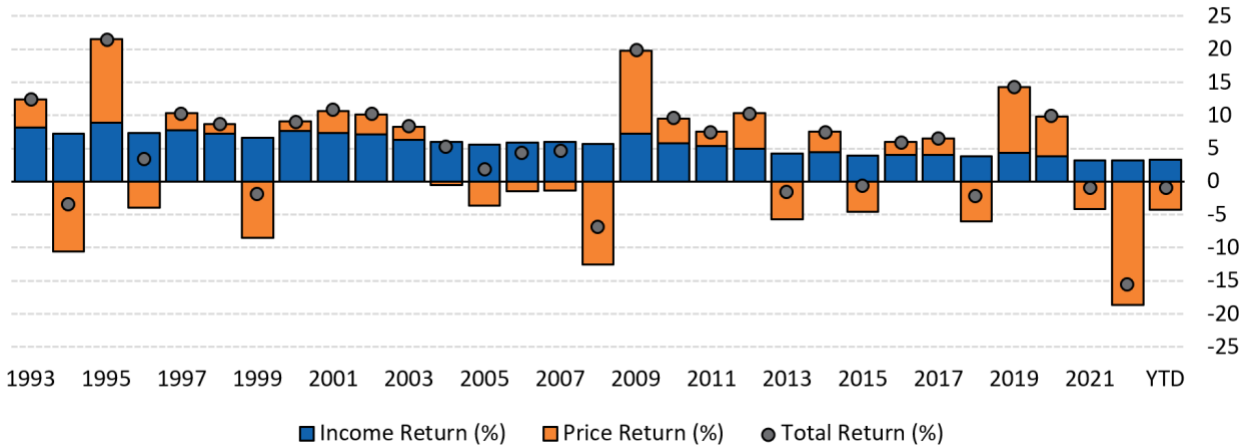
With a potential rate hike in 2023 still looming, and expectations for future easing falling deeper into 2024, volatility may remain high for the foreseeable future. While this environment may pressure bond prices in the near term, it also offers income investors a unique opportunity. Higher yields offer greater income potential, and the fixed maturity, fixed coupon structure of individual bonds helps mitigate the long-term impact of price moves.

### Embrace Higher Yields – Income Returns are Always Positive

While prices fluctuate over the life of a bond, one aspect of fixed income investing is constant: Income returns are always positive. Barring a default or bond call, you know how much you’re going to make, and you know when you’re going to get paid. The chart on pg. 2, “Annual Total Return Composition,” helps to illustrate this point. Regardless of the direction of bond prices in any given year, coupon payments are always a positive contributor to total returns.

### Annual Total Return Composition (%)

ICE BofA U.S. Corporate Index



Source: ICE BofA Indexes, Bloomberg. Past performance is no guarantee of future results.

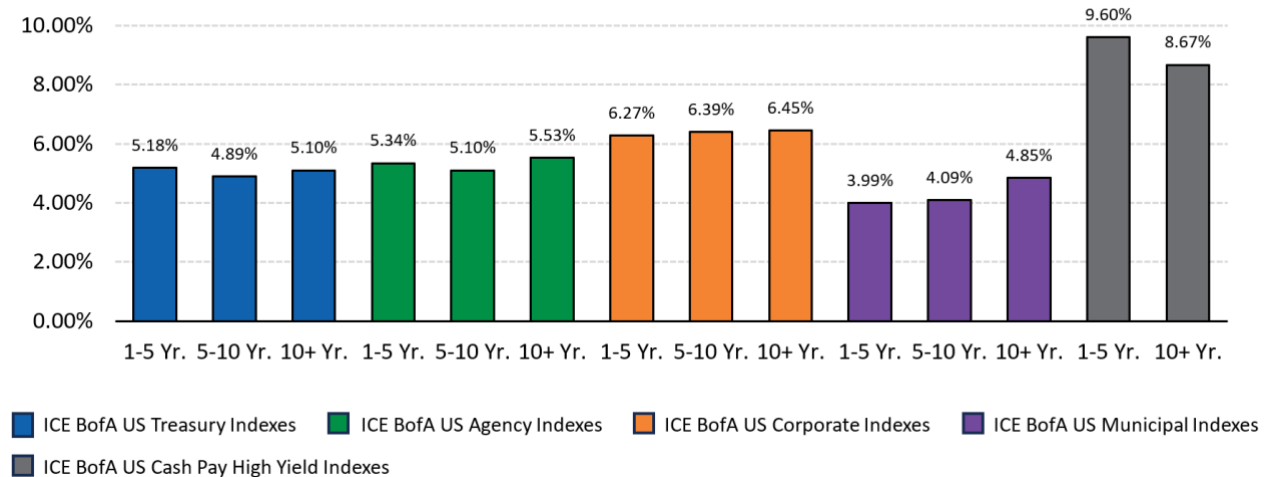
### Breathe Easy - Bonds Mature at Par

One of the most important aspects of fixed income investing is also the simplest. Bonds mature at par (face value). For buy-and-hold investors, unrealized gains and losses due to shifting interest rates can largely be ignored. Barring a default or bond call, no matter the price volatility experienced over the life of a bond, investors principal is returned at maturity.

### Fixed Income Yield Summary

With yields near multi-decade highs, bonds across asset classes and maturities continue to look attractive. The chart below, "Yield to Worst," summarizes the current yield of select ICE BofA indexes, broken out by maturity band.

### Yield to Worst (10/17/2023)



Source: ICE BofA Indexes, Bloomberg. Past performance is no guarantee of future results.

A prudent approach to fixed income investing calls for diversification across both credit and duration exposure. As always, Dynamic recommends staying balanced, diversified and invested. Despite short-term market pullbacks, it's more important than ever to focus on the long-term, improving the chances for investors to reach their goals.

*Bill Smith serves as president, Portfolio Management & Trading, of Harmont Fixed Income in Phoenix.*

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